

Message Text

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ACTION STR-07

INFO OCT-01 EUR-12 IO-13 ISO-00 STRE-00 AGRE-00 CEA-01
CIAE-00 COME-00 DODE-00 EB-08 FRB-03 H-01 INR-10
INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01 CTME-00
AID-05 SS-15 ITC-01 TRSE-00 ICA-11 SP-02 SOE-02
OMB-01 DOE-15 AF-10 ARA-10 EA-10 NEA-10 OIC-02
/168 W

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P 201854Z JUL 78
FM USMISSION GENEVA
TO SECSTATE WASHDC PRIORITY 2372
INFO AMEMBASSY OTTAWA

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USMTN
ACTION STR PASS ELECTRICALLY
STR PASS CODEL

E.O.11652:N/A
TAGS: MTN, ETRD, CA
SUBJECT: CANADIAN NTM REQUEST ON SPARKLING CIDER

1. USMTN AND CANADIAN MTN DELS HAVE, FOR SOME TIME, BEEN DISCUSSING THE CANADIAN REQUEST FOR AN EXEMPTION OF CANADIAN CIDER FROM TREATMENT AS A "SPARKLING WINE" FOR EXCISE TAX PURPOSES. LATEST EXCHANGE INVOLVED EXPLAINING U.S. LAW (26 U.S.C. 5041(B)), THE DEFINITION OF SPARKLING WINE (WINES CONTAINING MORE THAN .392 GRAMS OF CARBON DIOXIDE PER 100 MILLILITERS OF WINE), AND THE EXCISE TAX RATES THEMSELVES ON ARTIFICIALLY CARBONATED WINE. WE NOTED THAT WE WOULD NEED A MORE PRECISE FORMULATION OF THE CANADIAN REQUEST BEFORE WE COULD PROCEED FURTHER.

2. ON JULY 6, 1978, WE RECEIVED ANOTHER LETTER FROM THE LIMITED OFFICIAL USE

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CANADIAN DEL, THE GIST OF WHICH IS AS FOLLOWS:

ON THE BASIS OF INFORMATION RECEIVED FROM...YOUR DELEGATION AND...OTTAWA, WE ARE NOW IN A POSITION TO FURTHER CLARIFY THE CANADIAN REQUEST.

SPARKLING CIDER PRODUCED IN CANADA IS ARTIFICIALLY

CARBONATED AND HAS PRESSURE LEVELS UP TO 0.600 GRAMS PER 100 MILLITRES. UNDER USA LAW, THEREFORE, IT IS DEFINED AS A "SPARKLING WINE" AND IS ASSESSED EXCISE TAX AT THE LEVEL OF \$2.40 PER WINE GALLON. CANADA IS REQUESTING THAT THE USA EXCISE TAX ON SPARKLING CIDER BE REDUCED IN RECOGNITION OF THE PRODUCT AND PRICE DIFFERENTIATION BETWEEN SPARKLING CIDER AND SPARKLING GRAPE WINES.

3. AS IT NOW STANDS THE CANADIAN REQUEST IS UNAMBIGUOUSLY A REQUEST FOR A LOWER EXCISE TAX RATE. THIS IS QUITE APART FROM THE CANADIAN REQUEST ON WINE GALLON/PROOF GALLON METHOD OF ASSESSING EXCISE TAXES. WE SHOULD POINT OUT THAT U.S. EXCISE TAXES ARE IMPOSED WITHOUT DISCRIMINATION ON DOMESTIC AND FOREIGN PRODUCTS, AND ARE IMPOSED FOR REVENUE PURPOSES. IF THE U.S. EXCISE TAX RATES ON WINES ARE NOT NEGOTIABLE IN THE MTN, THE U.S. SHOULD SAY SO. UNLESS INSTRUCTED DIFFERENTLY, WE WILL TAKE THIS APPROACH THE NEXT TIME WE MEET WITH THE CANADIAN MTN.

4. DRAFTED BY MALISH. MCDONALD

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NNN

Message Attributes

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Disposition Approved on Date:
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